**INTRODUCTION**

**Ethical values** provide the foundation on which a civilized society exists. Without the foundation, civilization collapses. On a personal level, everyone must answer the following question: What is my highest aspiration? The answer might be wealth, fame, knowledge, popularity, or integrity. But if integrity is secondary to any of the alternatives, it will be sacrificed in situations in which a choice must be made. Such situations will inevitably occur in every person's life.

A 1987 popular movie portrayed the unscrupulous dealings of people involved in securities trading based on nonpublic (inside) information. A key character, portrayed by actor Michael Douglas, in a dramatic scene says, "Greed is good!" The implication is that greed is an acceptable motivation and that business people will do anything to make money, including engage in unethical behavior. In reality, greed is unacceptable, and unethical behavior will destroy a firm's ability to make money. Although the goal of any firm should be to increase its owners' wealth, to do so requires the public's trust. In the long run, that trust depends on ethical business practices.

In the United States and other free societies, people often have the freedom to make their own decisions about the "right" thing to do. Before the American Republic, a common belief was that where there was liberty, anarchy would result because people would be unable to govern themselves. Yet Americans were free and well behaved. How could this be?

The great English writer, G.K. Chesterton, observed that America was the only nation in the world founded on a creed. He said that creed was set forth with dogmatic and even theological lucidity in the Declaration of Independence. Chesterton was referring to the second paragraph of America's founding document: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness."

America's founders established a nation based on widely held ethical values. In George Washington's farewell address to public life, September 17, 1796, he said that the survival of freedom on American soil would have nothing to do with him, and everything to do with the character of its people and the government they would elect:

Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports.... In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness, these firmest props of the duties of men and citizens. The mere politician, equally with the pious man, ought to respect and cherish them. A volume could not trace all the connections with private and public felicity. Let it simply be asked where is the security for property, for reputation, for life, if the sense of religious obligation desert the others, which are the instruments of investigation in Courts of Justice?... [R]eason and
experience both forbid us to expect that national morality can prevail in exclusion of religious principle.

In addressing the Massachusetts militia in 1789, John Adams, the second U.S. President, said, 
"We have no government armed with power capable of contending with human passions unbridled by morality and religion. Our Constitution was made only for a moral and religious people. It is wholly inadequate to the government of any other."

Whether a person derives ethical values from religious principle, history and literature, or personal observation and experience, there are some basic ethical guidelines to which everyone can agree. In the July 1992 issue of Management Accounting, James Brackner, member of the IMA Committee on Ethics, stated:

The universities are responding with an increased emphasis on ethical training for decision making. For the most part, however, they ignore the teaching of values. For moral or ethical education to have meaning, there must be agreement on the values that are considered "right."

Michael Josephson, in Chapter 1 of Ethical Issues in the Practice of Accounting, 1992, described the "Ten Universal Values." They were as follows: honesty, integrity, promise-keeping, fidelity, fairness, caring, respect for others, responsible citizenship, pursuit of excellence, and accountability.

In considering the impact of ethical values on a society, Chuck Colson made the following observation:

Societies are tragically vulnerable when the men and women who compose them lack character. A nation or a culture cannot endure for long unless it is undergirded by common values such as valor, public-spiritedness, respect for others and for the law; it cannot stand unless it is populated by people who will act on motives superior to their own immediate interest. Keeping the law, respecting human life and property, loving one's family, fighting to defend national goals, helping the unfortunate, paying taxes—all these depend on the individual virtues of courage, loyalty, charity, compassion, civility, and duty.

When ethical values are falling, people often turn to government for help. However, there is little government, especially in a free society, can do when its citizens are unethical. Echoing the sentiment of President John Adams, Aleksandr I. Solzhenitsyn, in his 1978 address at Harvard University, stated the following:

Destructive and irresponsible freedom has been granted boundless space. Society has turned out to have scarce defense against the abyss of human decadence, for example against the misuse of liberty for moral violence against young people, such as motion pictures full of pornography, crime, and horror. This is all considered to be part of freedom and to be counterbalanced, in theory, by the young people's right not to look and not to accept. Life organized legalistically has thus shown its inability to defend itself against the corrosion of evil.
THE PURPOSE OF ETHICS

The purpose of ethics in business is to direct business men and women to abide by a code of conduct that facilitates, if not encourages, public confidence in their products and services. In the accounting field, the AICPA maintains and enforces a code of professional conduct for public accountants. The Institute of Management Accountants (IMA) and the Institute of Internal Auditors (IIA) also maintain a code of ethics. Professional accounting organizations recognize the accounting profession's responsibility to provide ethical guidelines to its members.

Can ethics be taught? At some point in life, ethics must be taught. People are not born with innate desires to be ethical or to be concerned with the welfare of others. The role of the family includes teaching children a code of ethical behavior that includes respect for parents, siblings, and others. The family bears chief responsibility for ensuring that children will receive the necessary education and moral guidance to become productive members of society. The basic values such as honesty, self-control, concern for others, respect for legitimate authority, fidelity, and civility must be passed from one generation to the next, a fundamental process of the family. The breakdown of the family is associated with some terrible social problems. In an editorial in *U.S. News and World Report*, Mortimer B. Zuckerman, editor-in-chief, wrote:

It has been fashionable to glorify the trend toward single-parent families resulting from high divorce rates and unmarried child-bearing. One million kids a year now watch their parents split up, and a like number are born out of wedlock. This selfish rationalization substitutes the happiness of the adult in our moral codes for the well-being of the children. Career and self-fulfillment have got ahead of caring responsibility. The results on children have been devastating. The developing child needs love, stability, constancy, harmony and permanency in family life. These needs have been casuistically sacrificed in the adult's quest for freedom, independence and choice. ...The impact that family disintegration has on children's life is a national crisis that has weakened our social fabric and placed unbearable burdens on schools, courtsprisons and the welfare system. The nuclear family must be nurtured. It must be at the center, not the periphery, of social policy. Too many policies and attitudes undermine this central value.

The United States in the 1990s could be described by the words of Charles Dickens: "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the season of light, it was the season of darkness, it was the spring of hope, it was the season of despair."

From 1960 to 1990, the U.S. population increased 41 percent. During the same period, gross domestic product increased 250 percent; social spending by government (in constant 1990 dollars) increased from 143 billion dollars to 787 billion dollars, a 450 percent increase; inflation-adjusted spending on welfare rose 633 percent; on education, 225 percent. These statistics might lead one to conclude that Americans are characterized by hard work, generosity, and a commitment to education. Some other statistics are not very encouraging. The rate of violent crime increased 355 percent; divorce, 125 percent; illegitimate births, 428 percent; children living in single-parent homes, 193 percent; teen suicide, 214 percent; and scores on the S.A.T. dropped 75 points. America faces some difficult social problems. The best way to
respond to these problems is not always clear. Yet, to sit back and ignore the problems is clearly the road to disaster.

THE ROLE OF EDUCATIONAL INSTITUTIONS AND PROFESSIONAL ORGANIZATIONS

The twenty-sixth president of the United States, Theodore Roosevelt, said it best: "To educate a person in mind and not in morals is to educate a menace to society." More recently, the National Commission on Fraudulent Financial Reporting (Treadway Commission) indicated that curricula should integrate the development of ethical values with the acquisition of knowledge and skills.\(^4\) John C. Burton, dean of the Columbia University Business School, in a speech to the American Accounting Association, stated that the declining influence of social institutions has increased the role educators must play in shaping values.\(^5\) Cal Thomas made the following assessment: "If we want to produce people who share the values of a democratic culture, they must be taught those values and not be left to acquire them by chance."\(^6\)

Specific responsibilities of the accounting profession are expressed in the various codes of ethics promulgated by major organizations such as the AICPA. The AICPA's first principle of professional conduct states: "In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities."

A profession is formed on the basis of (1) a generally accepted body of knowledge, (2) a widely recognized standard of attainment, and (3) an enforceable code of ethics. A code of ethics is a crucial element in forming a professional. The three major accounting professional organizations have an ethics code.

The main reason for having ethical guidelines is not to provide a cookbook solution to every practice-related problem, but to aid in the decision-making process for situations that involve ethical questions. Business persons will encounter novel situations in their jobs and will need ethical guidelines to handle them effectively. Ethics codes are necessary to provide such guidance. To aid its 100,000 members in resolving ethical dilemmas, the Institute of Management Accountants recently established an "ethics hotline." Ethics counselors offer confidential advice, solace, and comfort to management accountants who may have no other place to turn for help.

When societal values are deteriorating, maintaining high ethical standards in accounting and business grows increasingly difficult. People will undoubtedly ask, If everyone else is cheating, then how can an ethical person possibly succeed? Nevertheless, the real question is, how does one measure success? Exhibit 1 provides a poignant essay on the foolishness of measuring success by the accumulation of wealth or power.
HOW DO YOU MEASURE SUCCESS?

A popular story recounts a meeting that took place at the Edgewater Beach Hotel in Chicago in 1923. Attending this meeting were nine of the richest men in the world at that time: (1) Charles Schwab, President of the world's largest independent steel company; (2) Samuel Insull, President of the world's largest utility company; (3) Howard Hopson, President of the largest gas firm; (4) Arthur Cutten, the greatest wheat speculator; (5) Richard Whitney, President of the New York Stock Exchange; (6) Albert Fall, member of the President's Cabinet; (7) Leon Frazier, President of the Bank of International Settlements; (8) Jessie Livermore, the greatest speculator in the Stock Market; and (9) Ivar Kreuger, head of the company with the most widely distributed securities in the world.

Twenty-five years later, (1) Charles Schwab had died in bankruptcy, having lived on borrowed money for five years before his death. (2) Samuel Insull had died virtually penniless after spending some time as a fugitive from justice. (3) Howard Hopson was insane. (4) Arthur Cutten died overseas, broke. (5) Richard Whitney had spent time in Sing-Sing. (6) Albert Fall was released from prison so he could die at home. (7) Leon Frazier, (8) Jessie Livermore, and (9) Ivar Kreuger each died by suicide. Measured by wealth and power these men achieved success, at least temporarily. Making a lot of money may be an acceptable goal, but money most assuredly does not guarantee a truly successful life.

Many people think of fame and fortune when they measure success. However, at some point in life, most people come to realize that inner peace and soul-deep satisfaction come not from fame and fortune, but having lived a life based on integrity and noble character. President Lincoln put it this way: “Honor is better than honors.” At a Congressional Hearing on ethics in July 2002, Truett Cathy, founder of Chik-Fil-A, quoted Proverbs 22:1: "A good name is more desirable than great riches; to be esteemed is better than silver or gold." In the final analysis, living an honorable life really is more satisfying than fame and fortune. How do you measure success?
A 1990 article in the Wall Street Journal reported the results of a Gallup Poll that found 84 percent of public school parents want moral values taught in school and 68 percent want educators to develop strict standards of "right and wrong." As a result of parental pressure, some state legislatures and education departments are urging public schools to teach students values such as honesty, respect, and patriotism. Hundreds of business firms, such as Digital Equipment Corp. of Maynard, Massachusetts and Glendale Federal Bank of Glendale, California, have provided millions of dollars for such programs.\(^7\)

A 1987 survey of corporate executives administered by Touche Ross revealed that two thirds believed that high ethical standards improve a firm's competitive position but felt that "increased concentration on short-term earnings" and "decay in cultural and social institutions" are major threats to business ethics.\(^8\) Justice Elizabeth B. Lacy of the Virginia Supreme Court, in a commencement speech to graduates of the University of Texas Law School, said that legality is the minimum standard of action to follow, that a person's standard of action should be based on what is right and not merely what is technically legal.\(^9\)

The battle to maintain a high level of accounting and business ethics is effectively a battle for freedom. As Solzhenitsyn, Colson, and many others have concluded, additional rules and regulations of government will be never preserve a free society whose people lack integrity. Ethics is the heart of America's economic freedom. Unethical behavior is a dagger in the heart.

**CAN ONE PERSON MAKE A DIFFERENCE?**

A Japanese proverb states: "The reputation of a thousand years may be determined by the conduct of one hour." The actions of just one person have even changed the course of a nation. Edward Everett Hale wrote:

I am only one.
But still I am one.
I cannot do everything,
But still I can do something;
And because I cannot do everything
I will not refuse to do the something that I can do.

Long ago a woman named Esther saved the Jews from holocaust. She was the wife of a Persian king. The king was about to be tricked into a decision that would lead to the extermination of the Jews. Esther's predicament was that if she tried to save the Jewish nation, she would have to risk her life. Her adoptive father gave her this message: "For if you remain silent...your father's family will perish. And who knows but that you have come to royal position for such a time as this."\(^10\) She chose to risk her life. By doing so, one person helped save an entire nation. Centuries later, one person made a decision that had a detrimental effect. In 1923, by one vote, Adolph Hitler gained control of the Nazi Party.
Never underestimate the power of one person, one vote. In 1645, one vote gave Oliver Cromwell control of England. In 1776, one vote gave America the English language rather than German. In 1845, one vote brought the state of Texas into the United States. In 1941, one vote preserved the Selective Service System just 12 weeks before Pearl Harbor was attacked.

If you occupy a position of leadership then your actions profoundly influence those who follow your example. Considering the many qualities that are necessary for successful leadership, Desert storm hero General H. Norman Schwarzkopf said: "Leadership is a potent combination of strategy and character. But if you must be without one, be without the strategy."

ENDNOTES

9. E. Lacy, Commencement address to the University of Texas Law School, May 20, 1990.

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